Canada's Nuclear Regulator

Canadian Nuclear Safety Commission Quarterly Financial Report For the Quarter Ended December 31, 2014

February 2015

Canadian Nuclear Safety Commission
Commission canadienne de sûreté nucléaire

Canada

Canadian Nuclear Safety Commission Quarterly Financial Report
For the Quarter Ended December 31, 2014

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Canadian Nuclear Safety Commission
Statement Outlining Results, Risks and Significant Changes in Operations, Personnel and Program

1. Introduction

This quarterly financial report has been prepared by management, as required by section 65.1 of the *Financial Administration Act*, and in the form and manner prescribed by the Treasury Board Secretariat. The report should be read in conjunction with the *Main Estimates* and *Supplementary Estimates*. The quarterly financial report has not been subject to an external audit or review.

1.1 Authority, mandate and program activities

The Canadian Nuclear Safety Commission (CNSC) was established on May 31, 2000, with the coming into effect of the *Nuclear Safety and Control Act* (NSCA). The CNSC is a departmental corporation and reports to Parliament through the Minister of Natural Resources.

As an independent regulatory agency and quasi-judicial administrative tribunal, the CNSC has jurisdiction over all nuclear-related activities and substances in Canada. Its mandate under the NSCA is to:

- regulate the development, production and use of nuclear energy in Canada to protect health, safety and the environment
- regulate the production, possession, use and transport of nuclear substances, prescribed equipment and prescribed information
- implement measures respecting international control of the development, production, transport and use of nuclear energy and substances, including measures respecting the non-proliferation of nuclear weapons and nuclear explosive devices
- disseminate scientific, technical and regulatory information concerning the CNSC's activities, and the impact of the development, production, possession, transport and use of nuclear substances on the environment and the health and safety of persons

To deliver on its mandate, the CNSC has four programs: Regulatory Framework, Licensing and Certification, Compliance and Internal Services.

Further details on the CNSC's authority, mandate and program activities can be found in the *Reports on Plans and Priorities* and the *Main Estimates (Part II)*.

1.2 Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying *Statement of Authorities* includes the CNSC's spending authorities granted by Parliament and those used by the CNSC, consistent with the *Main Estimates* and *Supplementary Estimates* for the 2013–14 and 2014–15 fiscal years. This quarterly report has been prepared using a special purpose financial reporting framework, designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government of Canada. Approvals are given in the form of annually approved limits, through appropriation acts or through legislation (in the form of statutory spending authority for specific purposes).

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

The CNSC uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

1.3 The CNSC's financial structure

The CNSC has a structure where various funding mechanisms are used to deliver its mandate. Most of the CNSC's funding is received from statutory budgetary authorities, with the remainder from voted budgetary authorities.

In Budget 2013, the CNSC received statutory authority – pursuant to subsection 21(3) of the NSCA – to spend during a fiscal year any revenues that it receives in the current or previous fiscal year through the conduct of its operations. The revenues received from regulatory fees for licences and applications are charged in accordance with the *Canadian Nuclear Safety Commission Cost Recovery Fees Regulations* (CRFR). This authority to spend revenues provides a sustainable and timely funding regime to address the rapid changes in the regulatory oversight workload associated with the Canadian nuclear industry.

In addition to the statutory authority, the CNSC is also funded through the voted budgetary authority from Parliament (Vote 1 – Program expenditures). Voted authority provides funding for activities exempt from paying fees under the CRFR (i.e., hospitals and universities), as these entities exist for the public good. Additionally, fees are not

charged for activities that result from CNSC obligations that do not provide a direct benefit to identifiable licensees. These include activities with respect to Canada's international obligations (including non-proliferation activities), public responsibilities (such as emergency management and public information programs), and the updating of the NSCA and its associated regulations.

Contributions to the employee benefit plans are statutory budgetary authorities.

2. Highlights of Fiscal Quarter and Fiscal Year-to-Date Results

This section highlights the significant items that contributed to the net increase or decrease in authorities for the year, and the actual expenditures for the quarter and year-to-date (YTD) ended December 31, 2014.

2.1 Authorities analysis

As reflected in the following authorities table, the CNSC's total authorities available to spend have decreased by $10.0 million (to $129.7 million), or 7.2% as of the end of the third quarter of 2014–15, compared to the same quarter of the previous year. The 2014–15 authorities do not include any amounts related to the one-time transition payment of $3.1 million – for implementing salary payment in arrears by the Government of Canada, in the first quarter of 2014–15 – as the CNSC has not yet received the authorities for this amount. These costs are cash-managed by the CNSC and are fully reimbursable from Treasury Board Secretariat, if requested.

Authorities *(in thousands of dollars)*	2014–15	2013–14	Variance
Vote 1 – Program expenditures	**39,782**	**48,020**	**(8,238)**
Contributions to employee benefit plans	**4,167**	**4,399**	**(232)**
Expenditures pursuant to paragraph 21(3) of the *Nuclear Safety and Control Act*	**85,721**	**87,251**	**(1,530)**
Total budgetary expenditures	**129,670**	**139,670**	**(10,000)**

Vote 1 – Program expenditures and Contributions to employee benefit plans

The total authorities decreased by $8.5 million (to $44.0 million), or 16.2%. The decrease is mainly due to the:

- $9.1 million decrease in funding for reimbursement of eligible paylist expenditures for one-time severance pay, termination benefits and parental benefits
- $2.2 million decrease due to funding included in 13-14 Supplementary Estimates B representing the carry-forward of unspent revenue from the previous fiscal year for the CNSC's ongoing and regular licensing activities
- $0.2 million decrease in Contributions to employee benefit plans
- $1.5 million increase for collective agreement funding
- $1.1 million increase in funding as a result of the completion of the repayment of the loan to the Treasury Board Secretariat Management Reserve for facility improvements to the CNSC's Telesat location
- $0.2 million year-over-year increase in funding associated with the single window horizontal initiative outlined in *Beyond the Border: A Shared Vision for Perimeter Security and Economic Competitiveness* (also known as the Beyond the Border Action Plan)
- $0.2 million year-over-year increase in operating budget carry-forward

Budgetary statutory authority – Expenditures pursuant to subsection 21(3) of the NSCA

The CNSC's statutory authority for expenditures pursuant to subsection 21(3) of the NSCA is based on the CNSC's forecast of yearly expenditures for activities subject to cost recovery fees. The total authorities have decreased by $1.5 million (to $85.7 million), or 1.8% – mainly due to a decrease in forecasted expenditures, as a result of the shutdown of the Gentilly-2 Nuclear Generating Station (NGS), as well as a decrease in forecasted special projects. Further details on special projects can be found in Part 5 of the CRFR.

2.2 Expenditure analysis

Statement of Authorities (see appendix)

Vote 1 – Program expenditures

The authorities used during the third quarter of 2014–15 and year-to-date (YTD) decreased by $1.6 million (to $8.2 million) or 16.4%, and by $5.1 million (to $28.3 million) or 15.2% respectively, mainly due to the:

- decrease in salary expenditures due to the payout of the accumulation of one-time severance pay for voluntary departures in the first three quarters of 2013–14, and a reduction of 20 full-time equivalents (FTEs) from 2013–14 to 2014–15 (attributable to the shutdown of the Gentilly-2 NGS)
- increase in other subsidies and payments, due to a one-time transition payment for implementing salary payments in arrears by the Government of Canada during the first quarter of 2014–15

- decreases in the following areas: transportation and communications, utilities, materials and supplies, and acquisition of machinery and equipment

Contribution to employee benefit plans

The authorities used during the third quarter of 2014–15 and YTD, which are monthly installments of the *Main Estimates* amount for employee benefit plans, have decreased by $0.1 million (to $1.0 million) or 4.3%, and by $0.2 million (to $3.1 million) or 4.4% respectively, due to a decrease in the 2014–15 *Main Estimates* personnel expenditure authority under Vote 1 – Program expenditures.

Expenditures pursuant to subsection 21(3) of the NSCA

The authorities used during the third quarter of 2014–15 and YTD have decreased by $0.9 million (to $21.8 million), or 3.9%, and by $1.9 million (to $59.2 million), or 3.1% respectively. The decrease is mainly due to a decrease in salary expenditures, which resulted from a 20-FTE reduction from 2013–14 to 2014–15 (attributable to the shutdown of the Gentilly-2 NGS), as well as a decrease in forecasted special projects. The authorities used do not include any costs due to the one-time transition payment for implementing salary payment in arrears by the Government of Canada, or to the payout of the accumulation of one-time severance pay for voluntary departures, as these amounts are included under Vote 1 – Program expenditures.

Budgetary Expenditures by Standard Object (see Appendix)

Planned expenditures

The total planned expenditures for the year have decreased by $10.0 million (to $129.7 million), or 7.2%, when compared to the previous year. The decrease in planned expenditures for the year is due to the:

- $7.5 million decrease in personnel costs, resulting primarily from the payout of the accumulation of one-time severance pay for voluntary departures in the first three quarters of 2013–14, and from a 20-FTE reduction from 2013–14 to 2014–15 (attributable to the shutdown of the Gentilly-2 NGS)
- $1.0 million decrease in transportation and communication costs, due mainly to telephone costs now being paid for by Shared Services Canada
- $1.4 million increase in professional and special services due to an increased use of temporary help services as well as an increased use of information, telecommunications and management consultants for information management and information technology projects – such as the desktop modernization project and the Laboratory Information Management System – as well as the provision of a cost-free CNSC expert to the International Atomic Energy Agency
- $1.1 million decrease in repair and maintenance due to an adjustment to the annual forecast mainly because of building improvements

- $1.3 million decrease in acquisition of machinery and equipment, due to a forecasted decrease and delays in planned CNSC projects
- $0.5 million decrease in the other expenditure categories

Expended during the quarter

The total actual budgetary expenditures in the third quarter decreased by $2.5 million (to $31.1 million), or 7.6%. The decrease in expenditures is due to the:

- $1.8 million decrease in personnel costs, resulting from the payout of accumulation of one-time severance pay for voluntary departures in the third quarter of 2013–14, a decrease in base salary due to a 20-FTE reduction from 2013–14 to 2014–15 (attributable to the shutdown of the Gentilly-2 NGS) and a timing difference in the payment of annual bilingual bonuses
- $0.3 million decrease in transportation and communications due to a decrease in domestic travel expenses attributable to costs for CNSC staff to travel to CNSC proceedings in the third quarter of 2013–14
- $0.6 million decrease in transfer payments due to the timing of payments in third quarter of 2014–15 (compared with the third quarter of 2013–14)
- $0.2 million increase in the other expenditure categories

Year-to-date used at quarter-end

The YTD actual budgetary expenditures decreased by $7.1 million (to $90.6 million), or 7.3% when compared to the previous year. The decrease in planned expenditures for the year is due to the:

- $10.8 million decrease in personnel costs, resulting from the payout of accumulation of one-time severance pay in the first three quarters of 2013–14 and a decrease in base salary due to a 20-FTE reduction from 2013–14 to 2014–15 (attributable to the shutdown of the Gentilly-2 NGS)
- $0.7 million increase in professional and special services due to an increased use of temporary help services as well as an increased use of information, telecommunications and management consultants for information management and information technology projects – such as the desktop modernization project and the Laboratory Information Management System – as well as the provision of a cost-free CNSC expert to the International Atomic Energy Agency
- $3.1 million increase in other subsidies and payments, due to a one-time transition payment for implementing salary payment in arrears by the Government of Canada
- $0.1 million decrease in the other expenditure categories

3. Risks and Uncertainties

Most of the CNSC's expenditures are funded through revenue from fees received from the industry. While the authority to spend revenues provides a sustainable and timely funding regime to address the changes in the regulatory oversight workload, it also poses a financial risk, due to changing industry patterns and global economies.

Over the past year, the CNSC has made adjustments to its plans, to adequately respond to reduced industry activity. In addition to the shutdown announcement for Hydro-Québec's Gentilly-2 NGS in Bécancour, Quebec (on December 28, 2012) and delays in proceeding with new uranium mine projects, the Ontario government announced (on October 10, 2013) that it will defer investing, for the foreseeable future, in new nuclear generating reactors at the Ontario Power Generation's (OPG) Darlington NGS. This latest announcement does not create a risk to the current year's financial plan, and its impact on future plans is currently under review, as part of organizational scenario planning and a wider strategic planning exercise. There is also a legal challenge for the refurbishment of OPG's Darlington NGS. The CNSC is not a respondent in the matter.

In addition to the above items, there is also uncertainty related to the licensing process for OPG's proposed Deep Geologic Repository for low- to intermediate-level radioactive waste. The future licensing of the repository depends on the environmental assessment currently underway (via a Joint Review Panel) and on the Minister of the Environment's decision. The decision could impact financial plans for the current and future years.

4. Significant Changes in Relation to Operations, Personnel and Programs

There have been no significant changes in relation to operations, personnel and programs during the third quarter of 2014–15.

5. *Economic Action Plan 2012* (Budget 2012) Implementation

This section provides an overview of the savings measures announced in Budget 2012 that are being implemented to refocus government and programs, make it easier for Canadians and business to deal with their government, and modernize and reduce the back office.

The CNSC achieved Budget 2012 savings of $1.3 million by the end of the 2013–14 fiscal year. These savings were gained through efficiency measures and program reductions that align resources to the CNSC's core mandate, scaling back where the need is reduced, transforming how the regulator works internally, and consolidating and

streamlining its activities. With these changes, the CNSC will focus on supporting management excellence and accountability across the federal public service.

In 2012–13 (the first year of implementation), the CNSC achieved savings of $0.5 million. The proposed measures resulted in ongoing savings of $1.3 million by the end of 2013–14.

In Budget 2012, the CNSC also received a permanent incremental funding of $7.6 million through Vote 1 – Program expenditures, as well as through statutory authority contributions to employee benefit plans. The incremental funding to renew sunsetting funds allowed the CNSC to cover the costs of licensing nuclear equipment and substances at educational institutions, medical institutions and government departments.

6. Approval by Senior Officials

Approved by:

Original signed by

Stéphane Cyr
Chief Financial Officer

Original signed by

Michael Binder
President

Ottawa, Canada
Date: *February 20, 2015*

Appendix

Statement of Authorities (*unaudited*)

(in thousands of dollars)	Fiscal year 2014–15			Fiscal year 2013–14		
	Total available for use for the year ending March 31, 2015 *	Used during the quarter ended December 31, 2014	Year-to-date used at quarter-end	Total available for use for the year ended March 31, 2014 *	Used during the quarter ended December 31, 2013	Year-to-date used at quarter-end
Vote 1 – Program expenditures	39,782	8,235	28,319	48,020	9,849	33,381
Budgetary statutory authorities						
Contribution to employee benefit plans	4,167	1,042	3,125	4,399	1,089	3,268
Expenditures pursuant to paragraph 21(3) of the *Nuclear Safety and Control Act*	85,721	21,784	59,173	87,251	22,669	61,087
Total budgetary authorities	**129,670**	**31,061**	**90,617**	**139,670**	**33,607**	**97,736**
Non-budgetary authorities	-	-	-	-	-	-
Total authorities	**129,670**	**31,061**	**90,617**	**139,670**	**33,607**	**97,736**

More information is available in the attached table.
* Includes only authorities available for use and granted by Parliament at quarter-end.

Departmental Budgetary Expenditures by Standard Object (*unaudited*)

(in thousands of dollars)	Fiscal year 2014–15			Fiscal year 2013–14		
	Planned expenditures for the year ending March 31, 2015 *	Expended during the quarter ended December 31, 2014	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2014 *	Expended during the quarter ended December 31, 2013	Year-to-date used at quarter-end
Expenditures:						
Personnel	92,006	21,975	65,943	99,509	23,770	76,771
Transportation and communications	5,711	1,252	3,534	6,693	1,547	3,554
Information	1,243	263	759	1,146	236	624
Professional and special services	19,589	5,787	11,497	18,221	5,821	10,836
Rentals	4,369	1,031	3,152	4,289	802	3,063
Repair and maintenance	1,982	203	579	3,107	153	378
Utilities, materials and supplies	1,025	155	373	1,315	163	432
Acquisition of land, buildings and works	-	-	-	-	-	-
Acquisition of machinery and equipment	2,180	339	756	3,447	514	1,070
Transfer payments	1,549	48	929	1,770	619	975
Other subsidies and payments	16	8	3,095	173	(18)	33
Total gross budgetary expenditures	**129,670**	**31,061**	**90,617**	**139,670**	**33,607**	**97,736**
Total net budgetary expenditures	**129,670**	**31,061**	**90,617**	**139,670**	**33,607**	**97,736**

* Includes only authorities available for use and granted by Parliament at quarter-end.